PART 1 CHAPTER 1 Managing in a Global World Page 2 Learning Objectives After studying Chapter 1, you should be able to LO1 Describe the four functions of management. LO2 Understand what managers at different organizational levels do. LO3 Define the skills needed to be an effective manager. LO4 Summarize the major challenges facing managers today. LO5 Recognize how successful managers achieve competitive advantage. fizkes/Shutterstock Page 3Almost everyone has worked for a good supervisor, played for a good coach, or taken a class with a good professor. What made these managers effective? Did they have a plan and goals to guide people to accomplish what needed to get done? Were they organized and always prepared? Or maybe they were effective because of the way they motivated, inspired, and led employees, players, or students. Of course, they were probably good at keeping things under control and making changes when needed. Effective managers in companies all over the world lead, plan, organize, and control to help employees reach their potential so organizations can thrive in the highly competitive global marketplace. Lynsi Snyder, CEO of fast-food chain In-N-Out Burger, has proven to be an effective leader. With a 99 percent approval rating by employees, Snyder was ranked in 2019 as one of the top 5 CEOs in the United States.1 Over the past decade, she's expanded In-N-Out Burger's cultlike following to over 300 stores in six states. She's been able to do so, in part, by creating a constructive and positive work environment. In-N-Out Burger pays its employees an average of $13 an hour, 25 percent more than most competitors, and it offers strong job-training programs and benefit plans for part- and full-time staff. Says Snyder, "[M]y hope is that anyone who spends time as an In-N-Out Associate finds the experience valuable."2 In-N-Out Burger's CEO Lynsi Snyder puts the four functions of management into action. Ethan Pines/The Forbes Collection/Contour RA/Getty Images Another secret to In-N-Out Burger's success has been not to chase the latest food craze or try to outmarket other fast-food restaurants with an unending number of menu options. Its success has been in doing the opposite: staying true to its core principles of making quality food with quality products. Many fast-food chains have recently introduced "never-frozen" ground beef in their stores; In-N-Out Burger has never used frozen meat in its 70-plus-year history. The chain still bakes its own buns each day and banned microwaves and heat lamps from its stores. These are controlling principles that help it deliver the consistent quality its loyal customers want. Says Snyder, "It's not [about] adding new products. Or thinking of the next bacon-wrapped this or that. We're making the same burger, the same fry. We're really picky and strategic. We're not going to compromise."3 But preserving those core values while also trying to expand the company's reach doesn't happen on its own. It requires careful planning. Since taking over the company in 2010, Snyder has taken a slow-but-steady approach to expansion. While Snyder opened more than 80 new stores and branched out from California into states such as Texas and Oregon, she wanted to make sure that adding locations didn't result in less quality. "I felt a deep call to make sure that I

preserve those things that [my family] would want. That we didn't ever look to the left and the right to see what everyone else is doing, cut corners or change things drastically or compromise," says Snyder. "I really wanted to make sure that we stayed true to what we started with. That required me to become a protector. A guardian."4 In-N-Out Burger hasn't grown as quickly as some of its competitors, but it has grown smartly. The average In-N-Out location generates twice as much revenue as the average McDonald's, and it does so while sustaining a 20 percent profit margin, significantly higher than its competitors.5 To maintain such efficiency requires effective organizing. Fast-food outlets sometimes boast as many as 80 different menu items at a time; In-N-Out serves fewer than 15. That has led to streamlined production and stronger quality control standards across its stores. Snyder hasn't rushed to flood the market with In-N-Outs nationwide, but her restraint and dedication to organizational efficiency promises a strong profit-generating store with each new opening. In business, there is no replacement for effective management. A company may fly high for a while, but it cannot maintain that success for long without good management. Our goal in this book is to help you learn what it takes to become an effective and successful manager. You will learn a wide variety of strategies and tactics, organized under the major themes described above. Along the way, we emphasize how the best managers differentiate themselves and achieve excellence in today's marketplace, including globalization, sustainability, entrepreneurship, diversity management, and more.

Page 4 1 | THE FOUR FUNCTIONS OF MANAGEMENT LO1 Describe the four functions of management. Management is the process of working with people and resources to accomplish organizational goals. Good managers do those things both effectively and efficiently: To be effective is to achieve organizational goals. To be efficient is to achieve goals with minimal waste of resources—that is, to make the best possible use of money, time, materials, and people. Unfortunately, far too many managers fail on both criteria or focus on one at the expense of another. The best managers maintain a clear focus on both effectiveness and efficiency. Although business is changing rapidly, there are still plenty of timeless principles that make managers great and companies thrive. While fresh thinking and new approaches are required now more than ever, much of what we already know about successful management practices (Chapter 2 discusses historical but still-pertinent contributions) remains relevant, useful, and adaptable to the current highly competitive global marketplace. Great managers and executives like Lynsi Snyder of In-N-Out Burger not only adapt to changing conditions but also apply—passionately, rigorously, consistently, and with discipline—the fundamental management principles of planning, organizing, leading, and controlling. These four core functions remain as relevant as ever, and they still provide the fundamentals that are needed to manage effectively in all types of

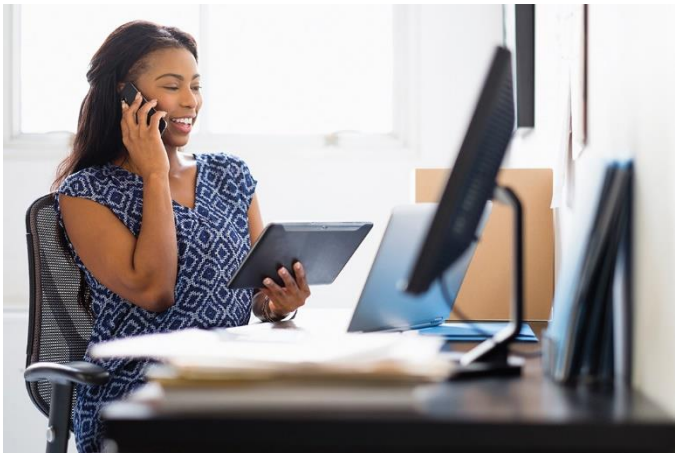
organizations, including private, public, nonprofit, and entrepreneurial (from microbusinesses to global firms). study tip 1 “Chunk” your study time You’re busy with work, school, family, and a social life and probably don’t have four or five hours to spend studying in one sitting. Try chunking your study time into one-hour minisessions. This will help you focus better while reading a chapter, making online flashcards to learn key terms, or preparing for a quiz or exam. Try silencing your phone. This will boost the efficiency of your study time. Get (and stay) in the study zone! Elon Musk, CEO of the Boring Company, announces his plan to combine the start-up’s hyperloop technology with SpaceX’s plan to use its latest rocket program to create a transportation system to get anywhere on Earth in less than an hour. SpaceX/Getty Images As any exceptional manager, coach, or professor would say, excellence always starts with the fundamentals. 1.1 | Planning Helps You Deliver Value Planning is specifying the goals to be achieved and deciding in advance the appropriate actions needed to achieve those goals. As Exhibit 1.1 illustrates, planning activities include analyzing current situations, anticipating the future, determining objectives, deciding what types of activities the company will engage in, choosing corporate and business strategies, and determining the resources needed to achieve the organization’s goals. Plans set the stage for action. EXHIBIT 1.1 Examples of planning activities For example, Elon Musk, CEO of Tesla and SpaceX, has ambitious plans to make life interplanetary.6 The entrepreneur wants to be the first to colonize Mars, as early as 2024.7 Before humans can survive on the Red Planet, several objectives need to be met. The first hurdle is transportation. SpaceX is planning to build a 31-engine, 387-foot-tall rocket (nicknamed “Starship”) to carry about 100 human passengers on the six- to nine-month journey to Mars.8 The second challenge is preparing the infrastructure on the planet to sustain human life. SpaceX plans to send multiple unpiloted cargo missions to ferry equipment, search for water, and build a fuel plant.9 These cargo missions will be followed by astronaut-carrying missions. The third objective is to shuttle human passengers to the Red Planet.10 Following the achievement of this goal, Elon Musk will likely make plans for other ambitious interstellar adventures.Page 5 In today’s highly competitive business environment, the planning function can also be described as delivering strategic value. Value is a complex concept.11 Fundamentally, it describes the monetary amount associated with how well a job, task, good, or service meets users’ needs. Those users might be business owners, customers, employees, governments, and even nations. When Steve Jobs, founder and CEO of Apple, died on October 5, 2011, many people around the world experienced a sense of loss both for him as a person and for the value that his transformational Apple products provided. The better you meet users’ needs (in terms of quality, speed, efficiency, and so on), the more value you deliver. That value is “strategic” when it contributes to meeting the organization’s goals. On a personal level, you should periodically ask yourself and your boss, “How can I add value?” Answering that question

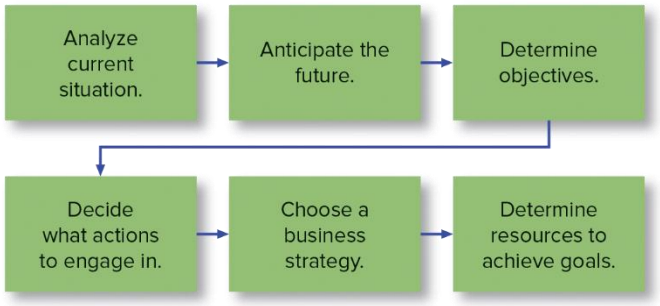
will enhance your contributions, job performance, and career. “Out of clutter find simplicity. From discord find harmony. In the middle of difficulty lies opportunity.” —Albert Einstein Traditionally, planning was a top-down approach in which top executives established business plans and told others to implement them. For the best companies, delivering strategic value is a continual process in which people throughout the organization use their knowledge and that of their external customers, suppliers, and other stakeholders to identify opportunities to create, seize, strengthen, and sustain competitive advantage. (Chapter 2 discusses the external competitive environment of business and how managers can influence it.) This dynamic process swirls around the objective of creating more and more value for the customer. For example, In-N-Out Burger provides value to customers by using only high-quality ingredients and maintaining consistency across its franchises.12 Effectively creating value requires fully considering a new and changing set of factors, including the government, the natural environment, global forces, and the dynamic economy in which ideas are king and entrepreneurs are both formidable competitors and potential collaborators. You will learn about these and related topics in Chapter 3 (ethics and corporate responsibility), Chapter 4 (strategic planning and decision making), and Chapter 6 (entrepreneurship). 1.2 | Organizing Resources Achieves Goals Organizing is the process of assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals. Organizing activities include attracting people to the organization, specifying job responsibilities, grouping jobs into work units, marshaling and allocating resources, and creating conditions so that people and things work together to achieve maximum success. The organizing function’s goal is to build a dynamic organization. Traditionally, organizing involved creating an organization chart by identifying business functions; establishing reporting relationships; and having a personnel department that administered plans, programs, and paperwork. Now and in the future, effective managers will be using new forms of organizing and viewing their people as their most valuable resources. They will build organizations that are flexible and adaptive, particularly in response to competitive threats and customer needs. Tony Hsieh, CEO of Zappos, has built a dynamic and successful online shoe and retail business by changing the rules of how to organize and treat the company’s diverse employees and customers. After he founded the business in 2000, Hsieh’s entrepreneurial approach was rewarded when Amazon purchased Zappos in 2009 for $1.2 billion.13Page 6 Traditional Thinking Leaders are born with the right traits to lead others. The Best Managers Today Anyone can become a more effective leader with concerted effort, training, experiences, and mentoring. Fast-forward to today. Hsieh has adopted a “holacracy” organizational model that takes decision making away from managers and places it in the hands of self-organizing circles of employees.14 Instead of job descriptions, employees have one or more roles that support Zappos’ goal to be more innovative and adaptable. Employees’

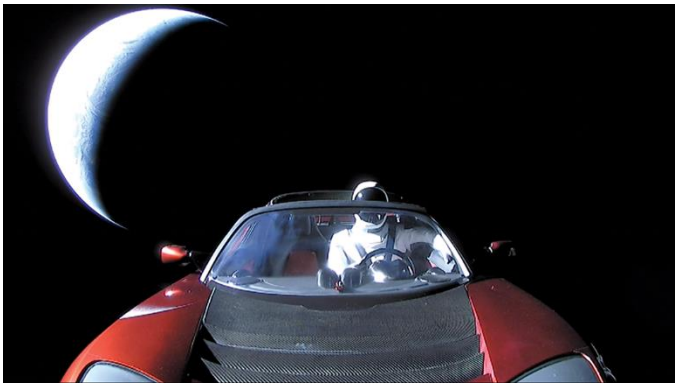
roles and accountabilities are posted online to increase understanding of everyone's responsibilities.15 Employees aren't the only stakeholders who benefit from Hsieh's flexible and adaptive approach to organizing. Customers who call the online retailer often feel spoiled by the treatment they receive. Surprisingly, customer service employees at Zappos aren't told how long they can spend on the phone with customers. In a time when many call-in customer service operations are tightly controlled or outsourced, Hsieh encourages his employees to give customers a "wow" experience, such as staying on the phone with them for as long as it takes to connect and make them happy (the longest recorded phone call lasted 10 hours and 51 minutes), giving customers free shipping both ways, sending greeting cards to celebrate customers' marriages and birthdays, writing thank-you notes, or even sending a military care package to a customer in Afghanistan.16 Progressive employee- and customer-oriented practices such as those at Zappos help organizations organize and effectively deploy the highly dedicated, diverse, and talented human resources needed to achieve success. You will learn more about these topics in Chapter 5 (organizing for success), Chapter 6 (human resources management), and Chapter 7 (managing diversity and inclusion). 1.3 | Leading Mobilizes Your People Leading is stimulating people to be high performers. It includes motivating and communicating with employees, individually and in groups. Leaders maintain contact with people, guiding and inspiring them toward achieving team and organizational goals. Leading takes place in teams, departments, and divisions, as well as at the tops of large organizations. In earlier textbooks, the leading function described how managers motivate workers to come to work and execute top management's plans by doing their jobs. Today and in the future, managers must be good at mobilizing and inspiring people to engage fully in their work and contribute their ideas—to use their knowledge and experience in ways never needed or dreamed of in the past. Tricia Griffith, CEO of Progressive Insurance since 2016, has created an environment that fosters teamwork and motivates her employees by "making them feel connected to the brand."17 On Fridays, Griffith eats lunch in the cafeteria in order to meet employees, and employees can participate in the innovation garage, which allows employees to experiment with new ideas and get feedback from their peers. Under Griffith's leadership, Progressive has risen to become the third largest auto insurer in the United States, behind only State Farm and Geico.18 In Fortune's list of top companies to work for, Progressive ranked 76 out of 100.19 Online retail giant Zappos' culture and work environment make it a fun place to work. Tribune Content Agency LLC/Alamy Stock Photo Like Tricia Griffith, today's managers must rely on a very different kind of leadership (Chapter 8) that empowers and motivates people (Chapter 9). Far more than in the past, great work must be done via great teamwork (Chapter 10), both within work groups and across group boundaries. Underlying these processes will be effective interpersonal and organizational communication (Chapter 11). Page 7 1.4 | Controlling Means Learning and

Changing Planning, organizing, and leading do not guarantee success. The fourth function, controlling, is about monitoring performance and making necessary changes in a timely manner. By controlling, managers make sure the organization's resources are being used properly and the organization is meeting its goals for quality and safety. Control must include monitoring. If you have any doubts that this function is important, consider a monitoring lapse that caused over 100 million people's private data to be hacked.20 Capital One's customer application information (with Social Security numbers) was hacked by Paige Thompson, a software engineer who formerly worked for Amazon Web Services, who exploited a "'misconfiguration' of a firewall on a web application."21 The hack went undetected until Capital One was alerted by a tip received from its security hotline. The hack exposed 140,000 Social Security numbers, one million Canadian Social Insurance numbers, and 80,000 bank account numbers, as well as people's names, addresses, credit scores, balances, and other information.22 Corporations must monitor customer data and continuously assess the processes in place to secure these data. Ursula Burns, chair and CEO of Xerox, attends a State Dinner at the White House in honor of Canadian Prime Minister Justin Trudeau. REX/Shutterstock When managers implement their plans, they often find that things are not working out as planned. After two years of devastating wildfires, Pacific Gas & Electric, a California utility company, filed bankruptcy and faced lawsuits from stakeholders across the state for its role in the wildfires. Under California law, utilities companies are liable for wildfires caused by equipment, even when the company is not negligent in maintaining the equipment; in the past two years, PG&E equipment was blamed for starting more than 12 fires,23 destroying thousands of homes and killing dozens of people.24 To reduce the company's risk in the future, PG&E created a wildfire safety plan and pledged to spend up to $2.3 billion in 2019 to reduce wildfires.25 The plan called for PG&E to do more tree trimmings, conduct more equipment inspections, and have preventative blackouts on dry and windy days. PG&E has since hired a new board member and appointed a special independent safety advisor.26 Successful organizations, large and small, pay close attention to the controlling function. But today and for the future, the key managerial challenges are far more dynamic than in the past; they involve continually learning and changing. Controls must still be in place, as described in Chapter 12. But new technologies and other innovations (Chapter 13) make it possible to achieve controls in more effective ways, to help all people throughout a company and across company boundaries change in ways that forge a successful future. Exhibit 1.2 provides brief definitions of the four functions of management and the respective chapters in which these functions are covered in greater detail. EXHIBIT 1.2 The four functions of management Function Brief Definition See Chapters Planning Systematically making decisions about which goals and activities to pursue. 4, 5, and 6 Organizing Assembling and coordinating resources needed to achieve goals. 7, 8, and 9 Leading Stimulating high

performance by employees. 10, 11, 12, and 13 Controlling Monitoring performance and making needed changes. 14 and 15 1.5 | Managing Requires All Four Functions Page 8As a manager in the ever-changing global economy, your typical day will not be neatly divided into the four functions. You will be doing many things more or less simultaneously.27 Your days will be busy and fragmented, with interruptions, meetings, and firefighting. If you work with heavy digital users who constantly send texts and e-mails, then your workdays will require even more stop-and-go moments.28 There will be plenty of activities that you wish you could be doing but can't seem to get to. These activities will include all four management functions. Some managers are particularly interested in, devoted to, or skilled in one or two of the four functions. Try to devote enough time and energy to developing your abilities with all four functions. You can be a skilled planner and controller, but if you organize your people improperly or fail to inspire them to perform at high levels, you will not be realizing your potential as a manager. Likewise, it does no good to be the kind of manager who loves to organize and lead but doesn't really understand where to go or how to determine whether you are on the right track. Facebook overhauled its News Feed to focus on what friends and family share. JGI/Tom Grill/Getty Images Good managers don't neglect any of the four management functions. You should periodically ask yourself whether you are devoting adequate attention to all of them. The four management functions apply to your career and other areas of your life as well. You must find ways to create value; organize for your own personal effectiveness; mobilize your own talents and skills as well as those of others; monitor your performance; and constantly learn, develop, and change for the future. As you proceed through this book and this course, we encourage you to engage in the material and apply the ideas to your other courses (e.g., improve your leadership skills), your part-time and full-time jobs (e.g., learn how to motivate coworkers and delight your customers), and use the ideas for your own personal development by becoming an effective manager.







2 | FOUR DIFFERENT LEVELS OF MANAGERS LO2 Understand what managers at different organizational levels do. Organizations—particularly large organizations—have many levels. In this section, you will learn about the types of managers found at four different organizational levels: Top-level manager. Middle-level manager. Frontline manager. Team leader. 2.1 | Top Managers Strategize and Lead Top-level managers are the organization's

senior executives and are responsible for its overall management. Top-level managers, often referred to as strategic managers, focus on the survival, growth, and overall effectiveness of the organization. Top managers are concerned not only with the organization as a whole but also with the interaction between the organization and its external environment. This interaction often requires managers to work extensively with outside individuals and organizations. The chief executive officer (CEO) is one type of top-level manager found in large corporations. This individual is the primary strategic manager of the firm and has authority over everyone else. Others include the chief operating officer (COO), company presidents, vice presidents, and members of the top management team. As companies have increasingly leveraged technology and knowledge management to help them achieve and maintain a competitive advantage, they have created the position of chief information officer (CIO). A relatively new top manager position, chief ethics officer, has emerged in recent years. Emmanuel Lulin holds that position for L'Oréal. Lulin has been recognized as a champion for "ethics as a way of life within the company."29 Traditionally, the role of top-level managers has been to set overall direction by formulating strategy and controlling resources. But now, more top managers are called on to be not only strategic architects but also true organizational leaders. Like Eric Artz of REI, leaders must create and articulate a broader corporate purpose with which people can identify—and one to which people will enthusiastically commit.Page 9 Did You KNOW ? From 2008–2018, Google's Project Oxygen study found that their managers' success was based less on technical skill and more on their ability to communicate effectively, empower and develop teammates, and make connections. The best managers were results-oriented, created inclusive teams, coached teams, collaborated with other departments, and were strong decision makers.30 2.2 | Middle Managers Bring Strategies to Life As the name implies, middle-level managers are located in the organization's hierarchy below top-level management and above the frontline managers and team leaders. Sometimes called tactical managers, they are responsible for translating the general goals and plans developed by strategic managers into more specific objectives and activities. Traditionally, the role of the middle manager is to be an administrative controller who bridges the gap between higher and lower levels. Today, middle-level managers break down corporate objectives into business unit targets; put together separate business unit plans from the units below them for higher-level corporate review; and serve as nerve centers of internal communication, interpreting and broadcasting top management's priorities downward and channeling and translating information from the front lines upward. As a stereotype, not long ago, the term middle manager connoted mediocre, unimaginative people defending the status quo. Companies have been known to cut them by the thousands, and television often portrays them as incompetent (such as Michael Scott of NBC's The Office).31 But middle managers are closer than top managers to day-to-day operations, customers,

frontline managers, team leaders, and employees, so they know the problems. They also have many creative ideas—often better than their bosses'. Good middle managers provide the operating skills and practical problem solving that keep the company working.32 2.3 | Frontline Managers Are the Vital Link to Employees Frontline managers, or operational managers, are lower-level managers who execute the operations of the organization. These managers often have titles such as supervisor or sales manager. They are directly involved with nonmanagement employees, implementing the specific plans developed with middle managers. This role is critical because operational managers are the link between management and nonmanagement personnel. Your first management position probably will fit into this category. Page 10Traditionally, frontline managers were directed and controlled from above to make sure that they successfully implemented operations to support the company strategy. But in leading companies, their role has expanded. Operational execution remains vital, but in leading companies, frontline managers are increasingly called on to be innovative and entrepreneurial, managing for growth and new business development. REI's Stewardship Strategy It would be hard to come up with a better example of a company that fully embraces the idea of environmental stewardship than Recreational Equipment, Inc., or REI. Based in Kent, Washington, REI is the maker of an award-winning line of outdoor gear and clothing backed by a 100 percent satisfaction guarantee. Structured as a retail cooperative, the company offers its 18 million members a discount on all purchases and one vote in the election of board members for a one-time fee of $20. By hiring outdoor enthusiasts, it continues to operate with a passion for and commitment to outdoor adventure. It has appeared on Fortune's 100 Best Companies to Work For list every year since the list began. REI's commitment to the environment is equally strong. From gathering community input before building its flagship store in Seattle to retrofitting existing facilities for the same energy efficiency it builds into its new ones, the company strives to design and operate each of its buildings to reduce operating costs and environmental impact. It operates seven facilities holding the coveted LEED certification for environmental sustainability and has long been at the forefront of the green building movement. REI generates its own energy via solar panels on more than two dozen of its buildings, and it partners with business groups dedicated to promoting action on climate change while protecting the economic health of their communities. In 2014 the company was named a Green Power Leader by the U.S. Environmental Protection Agency. It monitors energy used in the course of executive travel and employee commutes, supports responsible forestry in paper goods it needs for its operations, composts waste at its headquarters, and works with suppliers to eliminate packaging waste. Through all these efforts, REI now operates on 100 percent renewable power. Each year the company produces a stewardship report; its 2018 report announced that more than 70 percent of its profits went back to the outdoor community, mostly in contributions to nonprofits and

environmental groups. By making such investments, REI is living up to its core principle of putting “purpose before profits.” REI is a company that has fully embraced the idea of environmental stewardship. Jonathan Weiss/Shutterstock Discussion Questions REI earned record revenues of nearly $3 billion in 2018. To what extent do you think REI’s environmentally responsible strategies help support its financial success? In a recent message to the company, CEO Eric Artz declared the company’s “fight for life outside” initiative as one of its core values. All 13,000 REI employees pledged to do so. What kind of effect do you think this kind of collective call to action can have on a workforce? Could other companies learn from REI’s example? Are there any risks? Sources: Company website, https://www.rei.com/stewardship, accessed March 4, 2020; “Fortune’s 100 Best Companies to Work For 2020,” Fortune, https://fortune.com/best-companies/2020/search/; and company website, https://www.rei.com/stewardship/climate-change, accessed March 4, 2020. Actor Steve Carell played Michael Scott, the sometimes-likeable but often incompetent middle manager on NBC’s The Office. RGR Collection/Alamy Stock Photo Managers on the front line—usually newer, younger managers—are crucial to creating and sustaining quality, innovation, and other drivers of financial performance.33 In outstanding organizations, talented frontline managers are not only allowed to initiate new activities but are expected to do so by their top- and middle-level managers. And they receive the freedom, incentives, and support to do so.34 2.4 | Team Leaders Facilitate Team Effectiveness A relatively new type of manager, known as a team leader, engages in a variety of behaviors to achieve team effectiveness.35 The use of teams (discussed in Chapter 10) has increased as organizations shift from hierarchical to flatter structures that require lower-level employees to make more decisions.36 While both team leaders and frontline managers tend to be younger managers with entrepreneurial skills, frontline managers have direct managerial control over their nonmanagerial employees. This means that frontline managers may be responsible for hiring, training, scheduling, compensating, appraising, and if necessary, firing employees in order to achieve their goals and create new growth objectives for the business. Page 11In comparison, team leaders are more like project facilitators or coaches. Their responsibilities include organizing the team and establishing its purpose, finding resources to help the team get its job done, removing organizational impediments that block the team’s progress, and developing team members’ skills and abilities.37 In addition, a good team leader creates and supports a positive social climate for the team, challenges the team, provides feedback to team members, and encourages the team to be self-sufficient.38 Beyond their internally focused responsibilities, team leaders also need to represent the team’s interests with other teams, departments, and groups within and outside the organization. In this sense, the team leader serves as the spokesperson and champion for the team when dealing with external stakeholders. Team leaders are

expected to help their teams achieve important projects and assignments. In some ways, a team leader's job can be more challenging than frontline and other types of managers' jobs because team leaders often lack direct control (e.g., hiring and firing) over team members. Without this direct control, team leaders need to be creative in how they inspire, motivate, and guide their teams to achieve success. Exhibit 1.3 elaborates on the changing roles and activities of managers at different levels within the organization. You will learn about each of these aspects of management throughout the course. EXHIBIT 1.3 Transformation of management roles and activities Team Leaders Frontline Managers Middle-Level Managers Top-Level Managers Changing Roles From operational implementers to facilitators of team effectiveness. From operational implementers to aggressive entrepreneurs. From administrative controllers to supportive controllers. From resource allocators to institutional leaders. ASDF_MEDIA/Shutterstock Key Activities Structuring teams and defining their purpose. Attracting and developing resources. Linking dispersed knowledge and skills across units. Establishing high performance standards. Finding resources and removing obstacles so teams can accomplish their goals. Creating and pursuing new growth opportunities for the business. Managing the tension between short-term purpose and long-term ambition. Institutionalizing a set of norms to support cooperation and trust. Developing team members' skills so teams can be self-managing. Managing continuous improvement within the unit. Developing individuals and supporting their activities. Creating an overarching corporate purpose and ambition. Sources: F. P. Morgeson, D. S. DeRue, and E. P. Karam, "Leadership in Teams: A Functional Approach to Understanding Leadership Structures and Processes," Journal of Management 36, no. 1 (January 2010), pp. 5–39; J. R. Hackman and R. Wageman, "A Theory of Team Coaching," Academy of Management Review 30, no. 2 (April 2005), pp. 269–87; and C. Bartlett and S. Goshal, "The Myth of the Generic Manager: New Personal Competencies for New Management Roles," California Management Review 40, no. 1 (Fall 1997), pp. 92–116. 2.5 | Three Roles That All Managers Perform The trend today is toward less hierarchy and more teamwork. In small firms—and in large companies that have adapted to these highly competitive times—managers have strategic, tactical, and operational responsibilities and team responsibilities. They are complete businesspeople; they have knowledge of all business functions, are accountable for results, and focus on serving customers both inside and outside their firms. All of this requires the ability to think strategically, translate strategies into specific objectives, coordinate resources, and do real work with lower-level people. Page 12 Today's best managers can do it all; they are adaptive and agile and are "working leaders."39 They focus on relationships with other people and on achieving results. They don't just make decisions, give orders, wait for others to produce, and then evaluate results. They get their hands dirty, do hard work themselves, solve problems, and create value. Shutterstock What does all of this mean in practice? How do managers spend their

time—what do they actually do? A classic study of top executives found that they spend their time engaging in 10 key activities, falling into three broad categories or roles:40 Interpersonal roles: Leader—Developing effective strategies to achieve organizational goals. Example: The manager of a tech start-up motivates and leads seven employees. Liaison—Maintaining a network of outside stakeholders and alliances that provide information and favors. Example: A human resources director attends monthly HR association meetings. Figurehead—Performing symbolic duties on behalf of the organization, like greeting important visitors and speaking at important events. Example: The president of a university presides over a graduation ceremony. Informational roles: Monitor—Seeking information to develop a thorough understanding of the organization and its environment. Example: A financial analyst researches the financial health of a publicly traded company. Disseminator—Sharing information between different people, like employees and managers; sometimes interpreting and integrating diverse perspectives. Example: A team leader in a management consulting firm shares her team's concerns with the managing partner. Spokesperson—Communicating on behalf of the organization about plans, policies, actions, and results. Example: A public relations officer of a global company issues a news release detailing plans to expand into Pacific Rim countries. Decisional roles: Entrepreneur—Searching for new business opportunities and initiating new projects to create change. Example: A software engineer at a social networking website company identifies a new and more intuitive way to connect its users. Disturbance handler—Taking corrective action during crises or other conflicts. Example: The owner of an amusement park implements new safety protocols after a malfunctioning ride injures a customer. Resource allocator—Providing funding and other resources to units or people; includes making major organizational decisions. Example: The chief financial officer at a company determines the size of each division's budget for the upcoming fiscal year. Negotiator—Engaging in negotiations with stakeholders inside and outside the organization. Example: An account executive from an advertising company negotiates the purchase price and terms of an advertising campaign with a team from a large client. This classic study of managerial roles remains highly descriptive of what all types of managers do today. As you review the list, you might ask yourself, "Which of these activities do I enjoy most (and least)? Where do I excel (and not excel)? Which would I like to improve?" Whatever your answers, you will be learning more about these activities throughout this course.

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3 | MANAGERS NEED THREE BROAD SKILLS LO3 Define the skills needed to be an effective manager. Performing management functions and roles, pursuing effectiveness and efficiency, and competitive advantage (discussed later in this chapter) are the cornerstones of a manager's job. However, understanding this fact does not ensure success. Managers need a variety of skills to do these things well. Skills are specific abilities that result from knowledge, information, aptitude, and practice. Although managers need many individual skills, which you will learn about throughout this text, three general categories are crucial:41 Technical skills. Conceptual and decision skills. Interpersonal and communication skills. First-time managers tend to underestimate the challenges of the many technical, human, and conceptual skills required.42 However, with training, experience, and practice, managers can learn to apply each of these skills to improve their effectiveness and performance.Page 13 3.1 | Technical Skills A technical skill is the ability to perform a specialized task that involves a certain method or process. The technical skills you learn in college will give you the opportunity to get an entry-level position or change careers; they will also help you as a manager. For example, your accounting and finance courses will develop the technical skills you need to understand and manage an organization's financial resources. Lower-level managers who possess technical skills earn more credibility from their subordinates than comparable managers without technical know-how.43 Thus, newer employees may want to become proficient in their technical area (e.g., human resources management or marketing) before accepting a position as team leader or frontline manager. 3.2 | Conceptual and Decision Skills Conceptual and decision skills involve the ability to identify and resolve problems for the benefit of the organization and everyone concerned. Managers use these skills when they consider the overall strategy of the firm, the interactions among different parts of the organization, and the role of the business in its external environment. Managers (like Mary Barra of GM) are increasingly required to think out of their comfort zones to make periodic and major changes in the way they do business to ensure the long-term success of their missions and organizations. As you acquire greater responsibility, you will be asked often to exercise your conceptual and decision skills. You will confront issues that involve all aspects of the organization and must consider a larger and more interrelated set of decision factors. Much of this text is devoted to enhancing your conceptual and decision skills, but experience also plays an important part in their development. 3.3 | Interpersonal and Communication Skills Interpersonal and communication skills influence the manager's ability to work well with people. These skills are often called people skills or soft skills. Managers spend the great majority of their time interacting with people,44 and they must develop their abilities to build trust, relate to, and communicate effectively with those around them. Your people skills often make a difference in the levels of success you achieve. LinkedIn founder Jeff Weiner said, "The biggest skills gap in the United States is

soft skills. . . . Everyone's so keenly focused on technology and AI. It's related though. . . . If you don't have that foundation in place, it becomes almost prohibitively complex to learn multiple skills at the same time."45 Supporting this view, a study by the National Association of Colleges and Employers found that the ability to work in a team and written and verbal communication skills were the most desired skills sought in recent college graduates.46 Management professor Michael Morris emphasizes that it is vital for future managers to realize the importance of these skills in getting a job, keeping it, and performing well, especially in this era when so many managers supervise independent-minded knowledge workers. He explains, "You have to get high performance out of people in your organization who you don't have any authority over. You need to read other people, know their motivators, know how you affect them."47 As Exhibit 1.4 illustrates, the importance of these skills varies by managerial level. Technical skills are most important early in your career when you are a team leader and frontline manager. Conceptual and decision skills become more important than technical skills as you rise higher in the company and occupy positions in the middle and top manager ranks. But interpersonal and communication skills are important throughout your career, at every level of management. One way to increase the effectiveness of your interpersonal and communication skills is by being emotionally intelligent at work. EXHIBIT 1.4 Skill importance at different managerial levels Technical Skills Conceptual/Decision Skills Interpersonal/Communication Skills Top manager Low High High Middle manager Medium High High Frontline manager High Medium High Team leader High Medium High Source: Adapted from R. Katz, "Skills of an Effective Administrator," Harvard Business Review 52, no. 5 (September–October 1974), pp. 90–102. Good, successful managers often demonstrate a set of interpersonal skills known collectively as emotional intelligence48 (or EQ). EQ combines three skill sets: Understanding yourself—including your strengths and limitations as a manager. Managing yourself—dealing with emotions, making good decisions, seeking feedback, and exercising self-control. Working effectively with others—listening, showing empathy, motivating, and leading. Page 14 The basic idea is that before you can be an effective manager of other people, you need to be able to manage your own emotions and reactions to others. Maybe you already have a high EQ, but if you feel that you could use some improvement in this area, observe how others connect with the people around them, handle stressful situations, and exercise self-control. This can help you build your own EQ so that you can be a more effective manager.

4 | MAJOR CHALLENGES FACING MANAGERS LO4 Summarize the major challenges facing managers today. When the economy is soaring, business seems easy. Starting up an Internet company looked easy in the 1990s, and ventures related to the real estate boom

looked like a sure thing during the early 2000s. Eventually investors grew wary of dot-com start-ups, and the demand for new homes cooled as the United States experienced a major economic recession. At such times, it becomes evident that management is a challenge that requires constant adaptation to new circumstances. What defines the competitive landscape of today's businesses? You will be reading about many relevant issues in the coming chapters, but we begin here by highlighting five key elements that make the current business landscape different from those of the past: Globalization. Technological change. The importance of knowledge and ideas. Collaboration across organizational boundaries. Increasingly diverse labor force. 4.1 | Business Operates on a Global Scale Far more than in the past, today's enterprises are global, with offices and production facilities all over the world. Corporations such as Starbucks and Adidas transcend national borders. A key reason for this change is the strong demand coming from consumers and businesses overseas. Companies that want to grow often need to tap international markets where incomes are rising and demand is increasing. Nike got its start selling athletic shoes and apparel from a small town in Oregon.49 Nike now sells products in 170 countries, with more than half its revenues coming from outside the United States.50 Globalization also occurs via cross-border partnership. Netflix created partnership agreements with cable and cell phone operators across the globe and expanded its reach to every country except China, Crimea, North Korea, and Syria.51 Not only does Netflix offer local subscribers access to its massive database of movies, documentaries, and TV shows, but it also provided funding to local producers to create new content for global consumption. For example, Elite is a Spanish series produced by Zeta Audiovisual that stars Spanish actors.52 Other global content funded by Netflix includes Schitt's Creek, a Canadian production by Daniel Levy, Aggretsuko, a Japanese animated series, and Bodyguard, a U.K.-based drama.53 The global partner strategy is working. In 2018, for the first time, "international streaming revenues exceeded domestic streaming revenues."54 Netflix is the largest global streaming service with over 151 million subscribers, only 60 million of whom live in the United States.55Page 15 Take Charge of Your Career Study abroad while you can Do you have the cultural sensitivity, international perspective, and foreign-language skills to succeed in the global economy? If you truly want to become a global citizen, how can you get the skills and experience you need? One obvious—and fun—way to develop this skill set is to study abroad. Colleges all over the country award students credit for these programs, and many options are available, from a one-week stay, to a summer- or a semester-long program, to full-year immersion programs. Through study abroad you can gain valuable exposure to a new culture, perfect a language you've studied or begin learning a new one, acquire marketable job skills, and make professional connections. Cultural awareness and empathy are two skills that increasingly appear as top criteria for hiring managers. The modern workplace emphasizes inclusion and

collaboration, so being aware of cultural differences, as well as being able to empathize—see things from the perspectives of other people—are critical skills to achieve these goals. Study abroad programs present you with opportunities to interact with people whose culture is different from your own, experience others' values and norms, and observe the way people of different backgrounds approach and solve problems. In navigating an unfamiliar environment, you'll increase your independence and self-reliance, enhance your problem-solving skills, overcome explicit or implicit stereotypes you may have formed, and develop patience, flexibility, and adaptability that will serve as assets in whatever career you pursue. Currently only about 10 percent of U.S. students study abroad, a number some experts say is too low given our increasingly globalized economy and job market. Many of the critical health, energy, environmental, and political problems humans now face will best be solved by people who know how to communicate across cultures and understand that we work best when we work together. Why not be one of them? Sources: A. Doyle, "Top Skills and Attributes Employers Look For." The Balance, January 22, 2020, https://www.thebalancecareers.com/top-skills-employers-want-2062481; and NAFSA, "Trends in U.S. Study Abroad," accessed March 4, 2020. Reed Hastings, the Netflix chief, had a global vision that disrupted the television industry. Ethan Miller/Getty Images Another factor that is making globalization both more possible and more prevalent is the Internet. It is estimated that by the end of 2019, there will be over 26 billion devices around the world connected to the Internet.56 From 2000 to 2019, the largest increases in users of the Internet were from developing countries in Africa, the Middle East, Asia, Latin America, and the Caribbean.57 As people in developing nations turn to the power of the web, they develop content in their own languages and create their own means of access, like Baidu, the search engine market leader in China that has over 70 percent of the search engine market share.58 The Internet is a powerful force for connecting people without regard to time and space. The Internet enables people to connect and work from anywhere in the world on a 24/7 basis. Laura Asiala, a manager for Dow Corning, based in Midland, Michigan, supervises employees in Tokyo, Seoul, Hong Kong, Shanghai, and Brussels. To keep in touch with them, she starts working at 5:00 a.m. some days and ends as late as midnight. She takes a break from 3:30 to 9:30 each day, and technology lets her communicate from home.59 China, with its 829 million Internet users,60 is an attractive market for tech companies that want to expand internationally. Internet companies have struggled to operate and succeed in the Chinese market due to intense local competition, logistical challenges, and human rights concerns. Involvement in company operations by the Chinese government has reached a new level. The state-run Xinhua News Agency announced that cybersecurity police would be embedded in large Internet companies to help guard against fraud and the "spreading of rumors." This policing effort is believed to be an effort on the part of the Chinese government to exert better control over the Internet in a

country of over 1.4 billion people.61 Despite these challenges, LinkedIn entered the Chinese market in 2014 to try to attract some of the 140 million knowledge workers to its professional networking site. In exchange for being granted access to Chinese Internet users, LinkedIn agreed to censor content when asked to do so by government officials. In 2019, the company had 50 million registered users in China.62 Time will tell whether LinkedIn can navigate successfully the myriad challenges in the world's largest Internet market.63 Smaller firms are also engaged in globalization. Many small companies export their goods. Many domestic firms assemble their products in other countries, using facilities such as Mexico's maquiladora plants. And companies are under pressure to improve their products in the face of intense competition from foreign manufacturers. Firms today must ask themselves, "How can we be the best in the world?" For students, it's not too early to think about the personal ramifications. In the words of chief executive officer Jim Goodnight of SAS, the largest privately held software company in the world, "The best thing business schools can do to prepare their students is to encourage them to look beyond their own backyards. Globalization has opened the world for many opportunities, and schools should encourage their students to take advantage of them."64 4.2 | Technology Is Advancing Continuously The Internet's impact on globalization is only one of the ways that technology is vitally important in the ever-changing business world. Technology both complicates things and creates new opportunities. The challenges come from the rapid rate at which communication, transportation, information, and other technologies change.65 Until recently, for example, desktop computers were a reliable source of income, not only for computer makers but also for the companies that make keyboards and a whole host of accessories like wrist rests and computer desks. But after just a couple of decades of widespread PC use, customers switched to laptops, tablets, and even smartphones for their computing needs, requiring different accessories and using them in different ways.66 Any company that still makes desktops has to rethink its customers' wants and needs, not to mention the possibility that these customers may be doing their work at the airport or a local coffee shop rather than in an office. Later chapters will discuss technology further, but here we highlight the rise of the Internet and its effects. Why is the Internet so important to business?67Page 16 It enables managers to be mobile and connected 24/7. It fulfills many business functions. It is a virtual marketplace, a means to sell goods and services, a distribution channel, an information service, and more. It speeds up globalization. Managers can see what competitors, suppliers, and customers are doing on the other side of the world. It provides access to information, allows better-informed decisions, and improves efficiency of decision making. It facilitates design of new products and services, from smartphones to online banking services. While these advantages create business opportunities, they also create threats as competitors capitalize on new developments. At the beginning, Internet companies dazzled people with

financial returns that seemed limitless. Today, investors and entrepreneurs have learned that not every business idea will fly, but many profitable online businesses have become a part of our day-to-day lives. Just a few years ago, it was novel to go online to order plane tickets, read the news, or share photos. Some online success stories, such as Stitch Fix, IPSY, and Zappos, are purely Internet businesses. Other online companies added brick-and-mortar channels to their business strategies. The Internet's impact is felt not only at the level of businesses as a whole but also by individual employees and their managers. Just as globalization has stretched out the workdays of some people, high-tech gadgets have made it possible to stay connected to work anytime and anywhere. Wi-Fi hotspots make connections available in shared working spaces, coffee shops, restaurants, hotels, airports, and libraries. Software lets users download and read files and e-mail on their phones and tablets. Social media and networking are also challenging the way businesses operate and managers connect. Facebook, the largest online social network, has reported 2.376 billion monthly active users as of April 2019; nearly 90 percent of these users are located outside the United States and Canada.68 Other popular social networking sites—like Instagram, Twitter, Snapchat, and TikTok—also connect people with one another. Finding the time to build and maintain meaningful connections to a large and diverse network of contacts, clients, and other key stakeholders is a major challenge for managers today. While it can be time-consuming, connecting with people has never been easier because of online social networking sites that allow you to develop your social capital. The goodwill stemming from your social relationships is more important than ever and aids your career success, compensation, employment, team effectiveness, successful entrepreneurship, and relationships with suppliers and other outsiders.69 Students should take time to build a large and diverse network while in school. This network may prove valuable in the future. The stress comes when employees or their supervisors don't set limits on being connected. As out-of-office flex work becomes increasingly common, research suggests that individuals are using their smartphones to work longer hours during workday evenings and on weekends.70 Users can and should decide when to turn off the devices. Jean Chatzky, an editor for Money magazine, realized that her device had become more of a distraction than a help and began reminding herself that the messages were not emergencies.71 Thus, using technology effectively is more than a matter of learning new skills; it also involves making judgments about when and where to apply the technology for maximum benefit.72 4.3 | Knowledge Needs Managing Companies and managers need new, innovative ideas. Because companies in advanced economies have become so efficient at producing physical goods, most workers have been freed up to provide services like training, entertainment, research, and advertising. Efficient factories with fewer workers produce the cereals and cell phones the market demands; meanwhile, more and more workers create software and invent new products. These workers, whose primary

contributions are ideas and problem-solving expertise, are often referred to as knowledge workers. Gorodenkoff/Shutterstock Managing these workers poses some particular challenges, which we will examine throughout this book. For example, determining whether they are doing a good job can be difficult because the manager cannot simply count or measure a knowledge worker's output. Also, these workers often are most motivated to do their best when the work is interesting, not because of a carrot or stick dangled by the manager.73 Because the success of modern businesses so often depends on the knowledge used for innovation and the delivery of services, organizations need to manage that knowledge. Knowledge management is the set of practices aimed at discovering and harnessing an organization's intellectual resources—fully utilizing the intellects of the organization's people. Knowledge management is about finding, unlocking, sharing, and capitalizing on the most precious resources of an organization: people's expertise, skills, wisdom, and relationships.Page 17 Typically, knowledge management relies on software that lets employees contribute what they know and share that knowledge readily with one another. As a result, knowledge management may be the responsibility of an organization's information technology (IT) department, perhaps under the leadership of a chief information officer or chief knowledge officer. 4.4 | Collaboration Boosts Performance One of the most important processes of knowledge management is to ensure that people in different parts of the organization collaborate effectively. This requires communication among departments, divisions, or other subunits of the organization. For example, BP tries to encourage managers to break out of the traditional corporate hierarchy to share knowledge freely across the organization while remaining fiercely committed to the performance of their individual business units. This emphasis on dual responsibilities for performance and knowledge sharing also occurs at pharmaceutical giant Glaxo-SmithKline, the large German industrial company Siemens, and the London-based steelmaker Ispat International.74 Toyota keeps its product development process efficient by bringing together design engineers and manufacturing employees from the beginning. Often, manufacturing employees can see ways to simplify a design so that it is easier to make without defects or unnecessary costs. Toyota expects its employees to listen to input from all areas of the organization, making this type of collaboration a natural part of the organization's culture. The collaboration is supported with product development software, including an online database that provides a central, easily accessible source of information about designs and processes. Along with this information, employees use the software to share their knowledge—best practices they have developed for design and manufacturing.75 At Toyota, knowledge management supports collaboration and vice versa. Customers, too, can be collaborators. Creating outstanding products and services can start with involving customers in company decisions. For example, Starbucks customers have a huge variety of drink options, and Zazzle customers can personalize

products such as tote bags, pillows, and iPhone cases prior to purchasing them.76 4.5 | Diversity Needs to Be Leveraged The labor force is becoming more and more diverse. This means that it is likely that your coworkers, customers, suppliers, and other stakeholders will differ from you in race, ethnicity, age, gender, physical characteristics, or sexual orientation. To be an effective manager, you'll need to understand, relate to, and work productively with these individuals. How diverse are we becoming at work? The following trends in the U.S. labor force are expected from 2016 through 2026:77 The labor force will continue to grow more diverse. The share of women in the labor force will increase to just over 47 percent. Fast growth of "older workers" will occur to the point that approximately one out of four workers will be 55 and older. Hispanics will grow to about 20 percent, African Americans to nearly 13 percent, and Asians to approximately 7 percent of the labor force. A higher percentage of women than men will join the labor force. White (non-Hispanic) workers' participation in the labor force will decrease from 63 to 58 percent. The increase in gender, racial, age, and ethnic diversity in the workplace will accentuate the many differences in employees' values, attitudes toward work, and norms of behavior. In addition to leveraging the strengths of diverse employees, effective managers need to find ways to connect with diverse customers, suppliers, and government officials, both in the United States and internationally. As will be discussed in greater detail in later chapters, managers need to be acutely aware of these differences and be prepared to prevent (or deal with) miscommunication, insensitivity, and hostility on the part of an employee, customer, or other stakeholder who doesn't embrace the benefits of diversity management. Fortunately, effective managers and organizations are taking steps to address these concerns and leverage the diversity of their resources and talent in new ways. Members of Target's board of directors are 36 percent female and 45 percent racially diverse, while the store management workforce is 52 percent female and 33 percent racially diverse.78 Target has also taken steps to make its products more diverse, including carrying clothing lines specifically designed for kids with sensory-processing difficulties and other physical disabilities, carrying more than 1,000 beauty products that address different skin tones and hair types, and sourcing products from diverse suppliers.79 Accounting, taxation, and consulting firm Deloitte LLP has undertaken several steps to break the "glass ceiling" and retain more of its talented female employees. The firm decreased the amount of travel for employees to allow them to have better work–life balance, created a Parents Transition Programme to help women and men with parental leave, and made diversity management a key priority for the entire organization. Deloitte created the Female Academy initiative, which features academic workshops, speakers, and events given to 25 promising female university students over the course of six weeks, to challenge and support them in their pursuit of creativity and growth.80 By making a concerted effort to retain and value female employees, Deloitte is managing its talent in a

more effective and efficient manner. Twenty-five percent of board members and 31 percent of the leadership team are women.81 Globalization, technological change, the monumental importance of new ideas, collaboration across disappearing boundaries, diversity—what are the effects of this tidal wave of new forces? The remainder of this chapter and the following chapters will answer this question with business and management principles, real-world examples, and insights from successful managers and leaders.

Page 18 5 | SOURCES OF COMPETITIVE ADVANTAGE LO5 Recognize how successful managers achieve competitive advantage. Why do some companies lose their dominant positions while others manage to stay on top?82 Blockbuster was a successful video rental chain until Netflix, cable companies, and online enterprises changed the delivery and pricing of videos and entertainment content. Then there's Eastman Kodak. For more than 100 years, it dominated the camera and film markets until being upended by the invention of digital photography, file sharing, and the like. On the other hand, how does a company like Apple continually excite customers with its "iGadget" offerings?83 How does the Chinese electric car manufacturer BYD compete effectively in this emerging segment of the

automobile industry? How does the Indian technology company Infosys compete effectively against its American rivals, Accenture and McKinsey?84 These successful companies have strong managers who know they are in a competitive struggle to survive and win. To do this, you have to gain advantage over your competitors and earn a profit. You gain competitive advantage by being better than your competitors at doing valuable things for your customers. But what does this mean, specifically? To succeed, managers must deliver the fundamental success drivers: innovation, quality, service, speed, cost competitiveness, and sustainability. 5.1 | Innovation Keeps You Ahead of Competitors Founded in 2000, Baidu is the number one Chinese-language Internet search engine. With more than 40,000 employees85 and nearly 20,000 of those working on research and development initiatives,86 Baidu is hoping that its recent innovations—from driverless car technology to AI customer service—will help it maintain an innovative edge in China.87 Innovation is the introduction of new goods and services. Your firm must adapt to changes in consumer demand and to new competitors. Products don't sell forever; in fact, they don't sell for nearly as long as they used to because so many competitors are introducing so many new products all the time. Likewise, you have to be ready with new ways to communicate with customers and deliver products to them, as when the Internet forced traditional merchants to learn new ways of reaching customers directly. Globalization and technological advances have accelerated the pace of change and thus the need for innovation. Sometimes, the most important innovation isn't the product itself but the way it is delivered. Borrowing an idea that has proved popular in Europe, Opaque's Dining in the Dark creates dining experiences in complete darkness.88 Guests select gourmet meals from a menu in a lighted lounge and then are led into a dark banquet room by blind or visually impaired servers. The attraction is that diners experience the meal in a completely new way because they are forced to concentrate on their senses of taste, smell, and touch. The company is located in Santa Monica, California.89 Innovation is today's holy grail.90 And like the other sources of competitive advantage, innovation comes from people, it must be a strategic goal, and it must be managed properly. Later chapters will show you how great companies innovate. 5.2 | Quality Must Improve Continually Historically, quality pertained primarily to the physical goods that customers bought. It referred to attractiveness, lack of defects, reliability, and long-term dependability. The traditional approach to quality was to check work after it was completed and then eliminate defects. But then W. Edwards Deming, J. M. Juran, and other quality gurus convinced managers to take a more complete approach to achieving total quality. This includes several objectives: Preventing defects before they occur. Achieving zero defects in manufacturing. Designing products for quality. The goal is to plan carefully; prevent, from the beginning, all quality-related problems; and live a philosophy of continuous improvement in the way the company operates. Deming and his ideas were actually rebuffed by U.S. managers; only

when he found an audience in Japan, and Japan started grabbing big chunks of market share from the United States in vehicles, computer chips, and TVs, did U.S. managers start internalizing and practicing his quality philosophy.91 Iain Masterton/Alamy Stock Photo Providing world-class quality requires a thorough understanding of what quality really is.92 Quality can be measured in terms of product performance, customer service, reliability (avoidance of failure or breakdowns), conformance to standards, durability, and aesthetics.Page 19 Quality is further provided when companies customize goods and services to the wishes of the individual consumer. Choices at Starbucks give consumers thousands of variations on the drinks they can order. Gatorade GX allows customers to create customized bottles. Nike's 90/10 pack sneakers give customers the opportunity to participate in designing their own shoes, and Icon Meals permits customers to create custom meal plans online.93 5.3 | Services Must Meet Customers' Changing Needs As we noted in the discussion of quality, important quality measures often pertain to the level of service customers receive. This dimension of quality is particularly important because the service sector now dominates the U.S. economy. Services include intangible products like insurance, hotel accommodations, medical care, and entertainment. In recent years, Americans spent a higher percentage of their personal income on services than tangible goods.94 The total number of jobs in service companies—not including retailing, wholesaling, and government workers—is nearly five times the number in manufacturing companies. And that pattern is expected to intensify. Between now and 2024, the fastest-growing job categories will be almost entirely services and retailing jobs, and the jobs expected to see the greatest declines are almost all in manufacturing.95 "Be everywhere, do everything, and never fail to astonish the customer." —Macy's Motto In a competitive context, service means giving customers what they want or need, when and where they want it. So service is focused on continually meeting the changing needs of customers to establish mutually beneficial long-term relationships. Service is also an important offering for many companies that sell tangible goods. Software companies, in addition to providing the actual programs, may help their customers identify requirements, set up computer systems, and perform maintenance. Stores offer a shopping environment and customer service along with the goods on their shelves. To improve service for a wider customer base, Best Buy adjusted its store environment so it would be more inviting to female shoppers. The chain's loud music and emphasis on high-tech features had been aimed at young men, but the store found that women influence 9 out of 10 consumer electronics purchases. Best Buy lowered the volume, dimmed the lighting, and trained staff to discuss what customers want the technology to do for them, rather than merely pointing out bells and whistles.96 Chesnot/Getty Images An important dimension of service quality is making it easy and enjoyable for customers to experience a service or to buy and use products. For example, Apple made it easy and enjoyable for online customers to sample their favorite

music and then download it from the iTunes store. Amazon allows customers to look at a free sample of a book to help them decide whether they want to read and purchase the entire book. These innovations in service are changing the way companies do business. 5.4 | Do It Better and Faster Google's culture, based on rapid innovation, is constantly trying to make improvements in its product. When Sheryl Sandberg (now chief operating officer of Facebook) was a vice president at Google, she once made a mistake by moving too fast to plan carefully. Although the mistake cost the company a few million dollars, Google cofounder Larry Page responded to her explanation and apology by saying he was actually glad she had made the mistake. It showed that Sandberg appreciated the company's values. Page told her, "I want to run a company where we are moving too quickly and doing too much, not being too cautious and doing too little. If we don't have any of these mistakes, we're just not taking enough risks."97 While it's unlikely that Google actually favors mistakes over money-making ideas, Page's statement expressed an appreciation that in the modern business environment, speed—rapid execution, response, and delivery of results—often separates the winners from the losers. How fast can you develop and get a new product to market? How quickly can you respond to customer requests? You are far better off if you are faster than the competition—and if you can respond quickly to your competitors' actions.Page 20 Speed is no longer just a goal of some companies; it is a strategic imperative. Speed combined with quality is a measure that a company is operating efficiently. The Starbucks mobile app made ordering so much easier and faster that one-third of all U.S. Starbucks transactions are now done through the app. Through the app, customers can order and customize coffee, pay, and redeem rewards all before they arrive at the store. To increase delivery speed, Starbucks has "juggled employees' tasks to limit bottlenecks caused by in-store pickups of online orders."98 Speed isn't everything—you can't get sloppy in your quest to be first. But other things being equal, faster companies are more likely to be the winners, slow ones the losers. 5.5 | Low Costs Help Increase Your Sales Walmart keeps driving hard to find new ways to cut billions of dollars from its already very low distribution costs. The retail giant is experimenting with using shelf-scanning robots to monitor inventory to reduce employee costs. The robots move through store aisles scanning the shelves for missing or mispriced inventory; a human worker responds only when an issue is found.99 Walmart introduced an app called My Walmart Schedule that allows employees to pick up shifts and gives all employees the same weekly shift for 13 weeks. The core-hour schedule gives employees stability and predictability in their schedule and reduces the amount of time managers spend putting the schedules together.100 Walmart's efforts are aimed at cost competitiveness, which means keeping costs low enough so the company can realize profits and price its products (goods or services) at levels that are attractive to consumers. Toyota's efforts to trim product development processes are also partly aimed at cost competitiveness. Making the

processes more efficient through collaboration between design and manufacturing employees eliminates wasteful steps and procedures. Needless to say, if you can offer a desirable product at a lower price, it is more likely to sell. Walmart controls costs by continuously improving the efficiency and speed of its inventory management system. One of its distribution centers is pictured above. Susana Gonzalez/Bloomberg/Getty Images Managing your costs and keeping them down requires efficiency: accomplishing your goals by using your resources wisely and minimizing waste. Every company must worry about cost because consumers can easily compare prices on the Internet from thousands of competitors. Expedia, NexTag, PriceGrabber, Google Flights, and Google Shopping are only a few of the search tools that can generate lists of prices at which a product is available from various suppliers. Consumers looking to buy popular items—such as cameras, printers, and plane fares—can go online to research the best models and the best deals. If you can't cut costs and offer attractive prices, you can't compete.Page 21 5.6 | Sustainability Reducing resource use and waste, especially resources that are polluting and nonrenewable, helps to achieve an important form of competitive advantage: sustainability. Although sustainability means different things to different people,101 in this text we emphasize a long-term perspective on helping the natural environment and building tomorrow's business opportunities while effectively managing today's business.102 In the United States, corporate sustainability efforts have fluctuated as environmental laws are strengthened or loosened; overall, the worldwide trend has been in the direction of greater concern for sustainability. Many companies have discovered that addressing sustainability issues often produces bottom-line benefits. Companies with strong sustainability performance that have also become financial winners include Danish bioscience company Corporate Knights, financial services provider Banco do Brasil, French luxury-goods maker Kering, and U.S. food spice firm McCormick.103 Patagonia does not want customers to discard their outdoor gear that has a broken zipper, tear in the sleeve, or chewed-up Velcro closure. Known as the Worn Wear program, the company hopes to keep its products out of landfills by offering free repairs with no questions asked. The program is working. In 2017, 14 employees from its Reno, Nevada, service center made more than 50,000 clothing repairs.104 One vital thing sustainability accomplishes is to protect and create options for moving forward.105 Done properly, sustainability allows people to live and work in ways that can be maintained over the long term (generations) without destroying our environmental, social, and economic resources. 5.7 | The Best Managers Deliver All Six Advantages Don't assume that you can settle for delivering just one of the six competitive advantages: low cost alone or quality alone, for example. The best managers and companies deliver them all. When Discount Tire was started by Bruce Halle he had no long-term business plan and was "just trying to make a living."106 Halle made several key decisions that gave Discount Tire its competitive edge through the years,

including specializing exclusively on tires. He piloted new services like wheel alignments, battery replacements, and oil changes but quickly realized that those services slowed down the tire change process. Halle focused on “getting customers in and out quickly, winning their trust and gaining customers for life.” Discount Tire creates loyal customers by offering key services free of charge, like tire air pressure checks and tire rotation and balancing.107 Halle fosters a positive working environment by giving employees realistic and attainable goals, promoting from within the company, and placing no cap on earning power for managers. Employees are incentivized and rewarded for “treating customers right.”108 Trade-offs may occur among the various competitive advantages, but this doesn’t need to be a zero-sum game where one has to suffer at the expense of another. Many portrait businesses in the United States are run by one or two photographers who do it all—shoot photos, edit, sell and market, run a website and social media, optimize SEO, and more. Photo editing is one the most time-consuming tasks, so photographers are increasingly hiring professional editing companies like FixThePhoto and WeEdit. Photos to edit their images.109 As long as the photographer communicates with the editor and chooses an editor with compatible style, the photographer’s style and creative vision aren’t sacrificed. Turning over those responsibilities to a vendor that specializes in performing them efficiently frees up the photographer to engage in other aspects of the business where the photographer’s creativity and personal touch are more necessary. Making decisions about outsourcing and cost savings are just some important ways to help your organization achieve competitive advantage. As you read this chapter, you learned about several of the challenges facing managers today and what functions and activities managers engage in at different levels of the organization. The next chapter (Chapter 2) looks back to help provide a lens for understanding how we got to where we are today. It provides a brief look at the evolution of management thought and practice. Page 22Page 23Page 24Page 25

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